

## AMENDMENT TO THE AGRICULTURAL CREDITS ACT

FEBRUARY 4, 1925.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. McFADDEN, from the Committee on Banking and Currency,  
submitted the following

### REPORT

[To accompany H. R. 12000]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 12000) to amend the agricultural credits act of 1923, approved March 4, 1923, having considered the same, report it back to the House with the recommendation that the bill do pass without amendment.

This bill amends the agricultural credits act of 1923, which bill authorized the organization of agricultural credit banks with a minimum capital of \$250,000, which institutions were authorized to make loans to farmers, cooperative marketing associations, and cattle loan associations, etc., and the rediscount for banks of paper representing agricultural transactions. The agricultural credits act of 1923, in addition to providing the authority for the creation of agricultural credit banks, also authorized the creation of the intermediate credit banking system operating in coordination with the farm loan system, but did not give to the agricultural credit banks the right to rediscount its paper with the intermediate credit banks. Because of the lack of this authority, principally, none of the agricultural credit banks have up to this date been organized. This type of institution is particularly adapted to give relief to a class that it is desirable to serve, and your committee refers to the report to the President of the United States by the agricultural conference on agricultural legislation, dated January 28, 1925, which was by the President submitted to the Congress with an expression of hope on the part of the President that Congress would give careful consideration to the suggestions therein and cause to be enacted into law such of the recommendations as seemed to be proper by the Congress. Your com-

mittee quotes the proposal of the above-mentioned agricultural conference, as follows:

The proposal to amend the law so as to make national agricultural credit corporations eligible to rediscount with the Federal intermediate credit banks involves a simple but none the less potentially important change in the present structure of livestock finance.

To understand this it is necessary to remember that the act creating the Federal intermediate credit banks also authorized the formation of national agricultural credit corporations under Federal charter and under Federal banking supervision.

The law authorizing these national agricultural credit corporations provides, first, for a minimum capital, adequate to permit the employment at proper compensation of really competent management; second, for a reasonable regulation of the total amount of loans to be made by any one company with relation to capital and surplus; third, a reasonable regulation concerning the amount that might be loaned to any one borrower with relation to the capital and surplus; and fourth, for proper examinations of the loan company in the same way that national banks are now examined from time to time.

In addition the members of the Federal reserve system are authorized to subscribe to the capital stock of such companies to the extent of not over 10 per cent of the capital and surplus of such banks.

The latter provision holds out the definite hope that if the national agricultural credit corporations are made eligible to rediscount with the Federal intermediate credit banks it may be possible to organize in the livestock territory an adequate number of properly capitalized loan companies. Banking groups interested in serving their locality may thus easily provide loan companies to take care of the breeding end of the livestock industry in a way and by organizations suited to the special needs of the industry.

This amendment should encourage the formation of an adequate number of soundly organized, adequately capitalized, and properly managed loan companies operating under Federal supervision. Taken in combination with the ample rediscount resources of the Federal intermediate credit banks, which would become available through the proposed amendment, the breeding end of the livestock industry may be expected to see itself in possession of ample credit, through sound institutions.

Nothing in the proposed amendment restricts the organization and operation of loan companies under State charters, nor is there proposed any restriction of the power of the intermediate credit banks to rediscount for such State organizations.

To effect this the conference recommends the following:

Amend paragraph 1, section 202, by inserting, after the word "State," in the fifth line thereof, the words "or of the Government of the United States," so that the paragraph as amended will read:

"To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank, cooperative credit or marketing association of agricultural producers, organized under the laws of any State, or of the Government of the United States, and/or any other Federal intermediate credit bank, with its indorsement, any note, draft, bill of exchange, debenture, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of livestock."

Your committee, in reporting favorably this bill, have analyzed carefully the report of the agricultural conference on agricultural legislation and believe that this amendment to the agricultural credits act of 1923 is the outstanding feature of the said report.